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ABSTRACT

In the 1950s and 1960s, educational economists led the developing nations of Asia, Africa, and Latin American onto an educational merry-go-round where all the educated could do was seek further education. These nations have turned in the 1970s to political scientists, sociologists, and educationists in an attempt to rectify the situation. In place of "manpower planning," "universal primary education," and "investment in human capital," the new slogans are "basic education," "earning while learning," "life-long education," and "aptitude testing instead of examinations." The economist still has valuable things to say, however. For example, oversubsidization of higher education at the expense of elementary education can be reversed only if the popular demand for free higher education can be discouraged without adverse political effects. Basic education schemes appear better designed for preparing students to live in their communities but may require unavailable teaching skills to implement and may in fact institutionalize a class system Third World governments are dedicated to eliminating. The tendency of developing nations to seek educational reform without compensating reform of the labor market is self-defeating. Changes in government employment practices could go a long way toward redressing the imbalances that result. (Author/PGD)

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Economics of Education in Developing Countries: Current Trends and New Priorities

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1. Introduction

The golden days of the economics of education in developing countries are over. In the 1950's and 1960's, economists were thick on the ground in every ministry of education in every capital city of Asia, Africa and Latin America. Those were the days when all the indicators pointed towards the rapid expansion of educational systems at all levels and when economists were welcomed for producing new arguments to support an educational inflation that was anyway desired on political grounds. What did it matter that manpower forecasting was crude and that cost-benefit analysis was based on rather implausible assumptions when in fact they led to answers that called for still more education? No one likes to look a gift horse in the mouth and politicians are always thankful for all the help they can get. Economists who still remember those days have reasons to look back at them with nostalgia.

To be an economist interested in education in the 1970's is not quite so easy. The streets of Calcutta, Karachi, Cairo, Accra, Bogota and Buenos Aires are filled with unemployed university graduates, even as the civil services in these countries are overstocked with graduates. In Africa, the so-called "school leaver problem", which only ten years ago referred exclusively to unemployed leavers from primary schools, now designates the unemployed products of secondary as well as primary schools. In the famous Addis Ababa Conference of 1961, African Ministers of Education looked forward confidently to universal primary education by 1980. 1980 is only three years away and yet in more than half of the 46 countries in Tropical Africa it is now perfectly obvious that universal primary education will not be achieved even by the year 2000. Everywhere there is deep dissatisfaction with the quality of education - the curriculum, the examination system, the standards of teacher training, etcetera. There must be something wrong with an educational system that encourages students

to gear all their efforts to the passing of examinations, leading to the next cycle of education and still more examinations, for the sole purpose of gaining entry into wage employment in the modern sector of the economy, particularly as so many of them will never in fact achieve this goal. Ivan Illich's books appear to be addressed to audiences in advanced countries and yet his thoroughly subversive ideas of deschooling have not fallen entirely on deaf ears in developing countries. The new American theories of screening, namely, that educational certificates serve no other function than to discriminate between individuals in terms of achievement drive, adds strength to the impact of Illich's writings. The "diploma disease" may be a world-wide phenomenon[1] but, surely, it is Third World countries that are really obsessed by "credentialism"?

The new circumstances of the 1970's have produced new priorities in educational planning. No longer are ministries of education solely preoccupied with the building of more schools to accommodate ever larger enrolments and with the expansion of teacher training facilities to equip the new schools with more teachers. Nowadays educational plans in the Third World consist largely of ambitious schemes to (1) introduce work experience into the primary school curriculum, (2) to integrate adults with children in a more flexible system of first-stage education, (3) to vocationalise the curriculum of secondary schools, (4) to introduce a mandatory period of labour market experience between secondary and higher education, and (5) to recruit the dropouts of the educational system into a national youth employment service. Everywhere there is an interest in reforming the examination system so as to minimise the testing of academic achievement and to maximise the testing of natural aptitudes that cannot be acquired by rote learning. Some countries have begun to introduce geographical quotas as a basis for educational selection and there is even talk of imitating the Chinese by using social quotas in terms of family background. If the slogans of the 1960's were "universal primary education", "manpower planning" and "investment in human capital", the slogans of

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[1] See R.Dore, The Diploma Disease, Education, Qualification and Development. London: Allen & Unwin, 1976.

the 1970's are "basic education", "earning while learning", "lifelong education" and "aptitude testing instead of examinations".

In such an atmosphere, the arguments of economists appear to be both unnecessary and irrelevant. Must we conclude, therefore, that it is time for economists to quit the field of educational planning, leaving it instead to sociologists, political scientists, and even educationists? You will not be surprised to hear that my answer to that question is No. I do believe that economists still have valuable lessons to impart to educational planners around the world. However, it is true that many of these lessons will be harder to teach than the old ones, more easily resisted than the lessons of yesterday, more politically dangerous to implement than the recommendations of ten years ago. I hope to make my point by a few illustrations - because there is only time for a few. I have selected three illustrations of the power of economic reasoning to illuminate the issues of educational planning in the 1970's, The first harks back to the concerns of the 1960's: it is the way education in Third World countries is still financed so as to produce relative oversubsidisation of higher education and relative undersubsidisation of primary education. The second relates to the slogan of "earning while learning" in the context of the new World Bank sponsored promotion of the concept of "basic education". The third is the issue of educational reform when it is unaccompanied, as it almost always is, by reform of the labour market. It is not difficult to show that economists have valuable things to say about all three issues and, moreover, that the insights they bring to bear on these issues are easily missed by non-economists. In that sense, economists still have a contribution to make to educational planning in poor countries.

2. Higher Education versus Primary Education

If you take a very broad historical look at some of the most prominent advanced countries that fifty or sixty years ago were underdeveloped, say, Japan and the Soviet Union, you will discern the following pattern: The typical picture of the expansion of education - in the case of Japan since about 1890, in the case of the Soviet Union since the Revolution - reveals a policy of first reaching universal primary education and holding back secondary and higher education. Then, having almost reached universal primary education - in Japan around 1912, in Russia around 1930 - a more generous attitude was taken towards secondary education, while higher education was still kept tightly under control. Only when secondary education had become almost universal in these countries - in the case of Japan about 1930, in the case of the Soviet Union about 1950 - was higher education allowed to expand. This classic pattern of allowing the educational pyramid to grow at the base and, only when the base has expanded substantially, to allow it to grow in the middle and at the apex, this pattern has been completely reversed in the Third World since World War II. Ever since 1950 in practically everyone of the one hundred or so developing countries in the world, secondary education and higher education have grown faster than primary education both in terms of enrolments and in terms of educational expenditures. Or to express the same thought in other words: secondary and particularly higher educated manpower have been overproduced in most of African, Asian and Latin American countries beyond all possible hopes of absorbing them in gainful employment, whatever the feasible rates of future economic growth in these countries. Therefore, priority No.1 in educational planning

in the Third World is somehow to reduce the rates of growth of secondary and higher education, shifting resources from the upper to the lower levels of the educational system.

What is the evidence for such a bold assertion? It is evidence of three kinds. Firstly, there is fairly clear evidence of growing open unemployment of secondary and higher educated individuals throughout Africa and Asia.[1] Secondly, there is the fact that recent forecasts of manpower requirements in Third World countries are increasingly yielding predictions of middle-level and higher-level manpower surpluses rather than shortages in the decade to come. Thirdly, there is evidence that the social rate of return on investment in education is almost always lower in secondary and higher education than in primary education.

One may quarrel about the reliability of unemployment statistics in developing countries. One may dismiss the technique of manpower forecasting as little more than guesswork dressed up in numbers. One may likewise throw doubt on rate-of-return analysis for relying too much on monetary earnings as a measure of the economic contribution of education. And may also point to certain countries, such as Burma, Mali, Botswana, Bolivia and Ecuador that continue to face serious shortages of middle-level and particularly higher-level manpower. But by and large in these three continents as a whole, it is true to say that all the indicators point towards the past overexpansion of the upper levels of the educational system and a concomitant underinvestment in the lower levels. Even if we went no further than to take the planning targets of these countries themselves, the point would still remain valid. For example, primary enrolments in Africa are in 1977 well below the Addis Ababa targets set in 1962, whereas enrolments in secondary and tertiary education are now well above the original planned targets. Most of the overexpansion in higher education in Africa has so far been disguised by underemployment of university graduates in the public sector, in consequence of which overexpansion of education in Africa has only shown up dramatically to date in the form of open unemployment among secondary school leavers. But now that

[1] For these and other similar assertions in the text that follows, see UN-ECAFE, Economic Survey of Asia and the Far East, 1973, Pt.1, Education and Employment. Bangkok: UN-ECAFE, 1974, and UN-ECA, Economic Survey of Africa, 1977, Pt.1, Education and Employment. Addis Ababa: UN-ECA, 1978.

many African governments are beginning to be unwilling to absorb university graduates in the civil service, owing to increasing fiscal pressures, we can expect to see Africa following Asia in massive open unemployment of university graduates alongside continuously increasing open unemployment of secondary school leavers.

Many countries are now agreed that current rates of growth of secondary and higher education cannot be allowed to continue, although very few have gone so far as the Philippines in asserting that these rates of growth will not be allowed to continue. Some countries, such as Tanzania, Zambia and Egypt, even agree that primary education should be expanded at the expense of the growth of secondary and higher education, that is, that resources are to be re-allocated from the top to the bottom of the educational system. But all this is easier said than done. Public opinion throughout the Third World is firmly opposed to enrolment ceilings and, in these circumstances, it would be suicidal for a politician to demand quantitative restrictions on secondary and higher education. Moreover, most Third World governments are deeply committed to the principle of higher education as a right and not a privilege for all those who are properly qualified, and this commitment militates against the attempt to clamp down on the growth of higher education. Moreover, there is an equally firm commitment to free higher education, including the cost of residence and out-of-pocket expenses of attendance, even if some governments have not yet been able to fully implement that commitment. This commitment to free higher education in fact denies a government the lever of increased tuition fees as a device for discouraging youngsters from going on to higher education.

Although governments may seek to curtail the growth of enrolments simply by setting ceilings on admissions or expenditure limits on new buildings, experience has shown how easily such government plans may be abandoned in the face of strong public demand for more places. To achieve success, therefore, it is necessary to supplement direct with indirect measures. One such indirect measure is higher tuition fees combined with a limited number of scholarships for poor students

from the backward regions and a student loans scheme for all students, to be financed by a special graduate tax on future incomes. Some African countries, such as Tanzania and Ethiopia, and some Asian countries, such as Sri Lanka, have begun to draw the attention of the public to the fact that university students are frequently a privileged elite, who ought not to demand higher education at state expence as a right; to have survived long enough in the educational system to qualify for entry into higher education, their parents are very likely to have been well-to-do and so might be expected to make some financial contribution to their children's higher education. Indeed, a survey of the social composition of students in higher education in Third World countries would reveal in most countries that the average university student is, to put it mildly, much better off than the average taxpayer, not to mention the average peasant or urban worker. So long as this is true, free higher education is a form of regressive taxation which makes a mockery of the policy of egalitarianism to which most Third World governments are dedicated.[1]

We can control secondary and higher education directly by admission ceilings, or indirectly by higher private costs. But there are still subtler indirect means of making secondary and higher education less attractive to students. For example, the ILO Kenya Report recommended postponement of entry into university courses by two or three years, with eventual admission being conditioned on evidence of work experience and community service. Since then, the idea of postponed entry into higher education has been taken up elsewhere, as in Tanzania, Zambia, Ethiopia, and Sri Lanka. There is hardly any doubt that postponed entry, particularly for a period as long as two or three years, would serve to discourage some students from taking up higher education who otherwise would have done so, not to mention its effect in strengthening the motivation of students who did re-enter the educational system.

A more potent indirect means of reducing the attractiveness of upper secondary and higher education is that of squeezing earnings

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[1] See G. Psacharopoulos, "The Perverse Effects of Public Subsidization of Education or How Equitable is Free Education?", Comparative Education Review, February, 1977, for a development of this theme.

differentials in labour markets. The ILO Sri Lanka and Kenya Mission Reports made a number of suggestions for reducing the private returns to education as, for example, the proposal in the Kenya Report that entry points on public pay scales should be reduced by 25 per cent for a five-year period, after which entry points should no longer be defined in terms of formal education; however, this suggestion was not accepted by the Government of Kenya. Nevertheless, the Kenyan Government did accept the priciple of working towards a narrowing of skill differentials in the years ahead. Incomes policies, to use a widely accepted short-hand, are now a regular feature of economic policy in a number of Third World countries and, although they are rarely designed to deal expressly with the problem of depressing the relative earnings of university graduates, they all have the effect of doing so. Nevertheless, even a general incomes policy that narrows earnings differentials in labour markets, and thus effectively saps the private incentive to acquire higher education, is not enough unless accompanied by specific changes in public sector hiring practices. As a principal employer of the bulk of educated people, Asian and African governments in particular share a heavy responsibility for the excessive growth of the upper levels of the educational system. Throughout the two continents, they tie salary scales rigidly to educational qualifications; they promote almost automatically by age, with little resort to performance rating; they fail to prove job titles and fail to practice scientific job evaluations; and they invariably provide generous fringe benefits and absolute tenure of employment. Even if they paid graduates no more than secondary school leavers, this would be enough to create a large demand for university education. In short, the recruitment and promotion policies of the public sector in Asia and Africa have done much to foster diploma disease. Large salary differentials and free or almost free university education have done the rest.

The case for expanding primary education at the maximum possible rate is as strong on economic grounds as it is on social and political grounds. There is some scope for cost-saving measures in primary education itself but these could finance only a small part

of the expansion required to achieve universal primary education. The bulk of the resources will have to come from the contraction of secondary and higher education. And as long as a year of higher education costs 100 times as much as a year of primary education - a median figure for Africa and Asia - even a marginal shift of resources from tertiary to primary education could work wonders in increasing enrolments in first-level education. It has been calculated that in 6 African countries, primary enrolment ratios could be raised to 100 per cent overnight merely by shifting 20 per cent of current educational expenditure on secondary or higher education to primary education. To achieve such a shifting of resources throughout the Third World remains a primary objective of educational planning.

3. Educational Reforms, Particularly Basic Education

I contend that universal primary education in Asia, Africa and Latin America cannot be achieved unless the locomotive of higher education can somehow be slowed down. There are some, however, who hold out an alternative course of action. The World Bank has recently been arguing that universal primary education in developing countries can only by achieved by providing a new flexible, low-cost education called "basic education" as a supplement to standard primary schooling, so that those children and adults who have failed to gain access to the existing system will nevertheless be provided with the 3 R's plus some minimum functional skills. Some, if not all, of the elements of "basic education" are already taught in many developing countries in a wide variety of nonformal education programmes. Education that is provided in farmers' training centres, community education centres, rural education centres, literacy programmes, and even settlement schemes, include important elements of "basic education" as described above.

The growing disillusionment with the quality of primary and secondary schooling, together with the impossibility in many countries of ever absorbing all their products in the modern sector, have increased the appeal of basic education programmes. Basic education

has the advantage of being designable to fit the specific needs of rural communities. It can be shorter, more functional, and, it is argued, cheaper than the education that is provided within the orthodox school system. Since basic education courses generally do not involve certification of students, it is widely believed that they represent a means whereby useful attitudes and skills can be developed without at the same time encouraging aspirations for gainful employment in the modern sector.

But there are real dangers in the basic education approach. The establishment of a dual education system, comprising standard schools and colleges for a minority of the population and basic education programmes for the rest, would run directly counter to the aim of equality of educational opportunity. Governments following such a strategy are open to the charge that their policies are institutionalising existing inequalities between social groups in the community. This is indeed the major reason why, historically, approaches very similar to basic education have generally failed in Africa and elsewhere. Though the basic education programme may be popular in its early stages, students and parents quickly come to regard such schemes as a temporary expedient that should be replaced by primary schooling at a later date. If this does not happen, basic education soon becomes a symbol of discrimination against rural people and the programme begins to collapse.

Besides, it is very doubtful that basic education would in fact be cheaper than the rock-bottom costs of an ordinary primary school. A teacher facing a mixed class of children and adults would have to be more experienced or better trained than the average primary school teacher, and would therefore be more expensive. Most primary schools in Africa do not in fact succeed in teaching children more than reading, writing, and arithmetic, yet basic schools are supposed to achieve that, in addition to knowledge required for running a household and bringing up a family, not to mention functional rural skills. This suggests a fairly diversified programme of a terminal nature and it is difficult to believe that such a programme could be organised, staffed and housed in rural areas at a cost below that of a modest primary

school. Even if this were possible, it strains credulity to believe that it would be an equally effective education.

Despite all these arguments against basic education, many governments in Asia and Africa are undoubtedly attracted by the general thinking that lies behind the drive for basic education. Algeria, Tanzania, Zambia and India are all reforming their educational systems to include large elements of the basic education philosophy. On a less comprehensive scale, Upper Volta, Senegal, Ethiopia and Sri Lanka have instituted experimental basic education programmes for out-of-school youths which emphasize vocational subjects. Community schools, that is, self-sufficient rural schools that are closely linked to their local communities, are being developed in a range of countries, including Ghana, Zaire and Tanzania. A theme that recurs again and again in all these reforms is the view that education and production ought to be closely linked and indeed that the school should become a productive unit. This is generally seen as having two advantages. On the one hand, the integration of education and production, and particularly the possibility that schools can begin to market products for sale, means that some of the costs of running the schools can be subsidised by this production and hence that the total costs of expanding the school system can be greatly reduced. On the other hand, the integration of education and production is expected to discourage the attitude of students which lead them away from rural areas in search of wage employment in the cities. In short, it is hoped these new type of schools will minimise the alienation of students from their home community and will encourage aspirations for self-help and community work.

Within the more traditional schools, curricula are being reformed to reflect the environment of the home country rather than the culture and society of the metropolitan countries. Textbook and teaching materials are to be produced locally, and indeed in some countries it is envisaged, perhaps somewhat unrealistically, that the content of the curriculum will vary from region to region to reflect local social and economic circumstances. There are also significant moves away from traditional methods of selection in

many Third World countries. In order to minimise the examination orientation of students and in order to get them to take the vocational aspects of the curriculum more seriously, there is increasing experimentation with aptitude testing, with continuous assessment, and in some countries with peer group selection methods for continuation within the formal educationl systems. It is expected that these or similar changes will result in a significant change in student attitudes and behaviour.

Many of these reforms are to be welcomed on strictly educational grounds. Nevertheless, it may be doubted whether they will succeed in having a dramatic impact on the school leaver problem and, in particular, whether they will succeed in halting the pressures for expanding upper secondary and higher education. The trouble with all these reforms is that every one of them increases the demand made upon teachers in Third World countries. The strength of the orthodox system, at least as far as the teachers were concerned, was that it laid down very strictly the specific information that had to be mastered by students if they were to be successful, both in terms of promotion within the education system and more generally in society at large. The vocationalisation of the curricula, the decentralisation of syllabi, the integration of production and education, the move away from examinations, all require teachers who are enthusiastic, innovative and highly trained. When we consider the typical rural teacher in an African primary school who has himself had no more than primary education, it is difficult to believe that he will prove equal to the task that will be imposed upon him by the new educational reforms. Even the in-service teacher training courses that are currently planned by Third World governments about to engage on major educational reforms may fail to equip the teaching cadre with the skills and confidence it needs to implement the reforms in question. It is this which may prove to be the Achilles Heel of this new wave of educational reform in Asia and Africa.

A further critical variable concerns the earnings that regularly accrue to persons with advanced levels of schooling in developing countries. The appeal of standard examinations, for example, stems

not merely from the wish of students to achieve entrance to higher education. Rather, it derives from the very high earnings and status associated with jobs to which higher levels of education give access. While changes in examination and in systems of selection may be expected to bring educational benefits, it is unrealistic to suppose that such changes will make people content to accept work at very low incomes in rural areas if they believe themselves to be eligible for highly-paid urban jobs. In short, as long as employers continue to use the level of education attained as the main criterion for hiring recruits into first jobs, and as long as the existing income differentials between the highest and worst-paid jobs in the occupational hierarchy remain what they are, the phenomena of educated unemployment und underemployment in Asia, Africa and Latin America is unlikely to be more than marginally affected by even major changes in the qualitative aspects of education.

4. Reforms of the Labour Market

When an economist examines the comprehensive educational reforms that are now under way in a large number of Asian and African countries, he gains the overwhelming impression that the direct links between the educational system and the labour market are still not adequately appreciated in developing countries. Again and again, he will witness countries overhauling their entire educational system without taking steps to alter the prevailing salary differentials by levels of schooling. Even when such countries persue an incomes policy designed to restrain the upward movement of wages and salaries, no effort is made to monitor und publicise the squeezing of differentials that such a policy frequently entails, as if levels were everything and differentials nothing. There may be circumstances in which governments are powerless to affect the general pattern of rewards in the labour market, at least in the short run, but any government in, say, Africa can in fact make significant inroads on the rewards of educated people merely by altering its own hiring and promotion practices for the simple reason that African governments are

generally the principal employers of the products of secondary and tertiary educational institutions.

The neglect of the intimate connection between educational developments and labour market trends is seen once again in the failure in country after country to couple curriculum reform with examination reform. Examinations perform many functions: they provide students with psychological incentives to study; they furnish teachers with an implicit curriculum; they rank students for purposes of admission to the next stage of education; and they certify the competence of students for purposes of selection by employers. To reform a curriculum without simultaneously reforming the examinations that test knowledge and understanding of the curriculum is not only to doom that reform; it is to doom all later attempts at reform because it creates cynicism among both teachers and students about the pronouncements of the educational authorities.

Besides, the tendency to regard curriculum matters in isolation of examination problems betrays a curious disregard of the real difficulties of teachers in Third World classrooms: the students frequently come from homes in which the parents are illiterate; if the classroom is in rural areas, the students are likely to stay away during the peak periods af the agricultural cycle; many students come from far away and are kept home during the rainy season; few students will have textbooks and even stationery is scarce; the teachers themselves are inadequately prepared, and if all this were not enough, the curriculum is being constantly changed and is frequently so top-heavy that it cannot be taught in the available hours. If, in addition, large portions of the curriculum are not examined, teachers can only survive by ignoring the explicit curriculum, teaching instead merely to pass examinations. No doubt, all this is well known to every Ministry of Education in Asia, Africa, and Latin America. Nevertheless, it is depressing to see how frequently one finds instances of examination reform trailing years behind curriculum reform, while in others the entire educational system is overturned without hardly a reference to changes in teacher training. I would suggest that qualitative reform of the educational system should begin and

not end with the teacher problem, and it should start with reforming examination and only thereafter should it consider reform of the curriculum.

Throughout the world, the school system performs the function of selecting people for occupations. This is of course only one of its functions but there is no doubt that it is everywhere one of its principal functions. But the relationship between schooling and jobs is more explicit and direct in the Third World than in the First or Second. Why this is so is a question for another lecture, but that it is so is not to be doubted. For that reason the solution of the so-called employed problem of educated people in Third World countries requires the effective loosening of the much too close ties between educational certificates and paid jobs. I doubt that these ties can be entirely broken because they exist, as I have said, the world over. But if earning capacities could be made to depend more on individual initiative and ability than on educational qualifications, and if general culture could become a product of schooling that is almost as important as vocationally useful skills, the school leaver problem in Africa and the graduate unemployment problem in Asia and Latin America would virtually disappear. In other words, the question is not how to gear education to employment opportunities, which is the way the problem is usually expressed, but how to stop education being geared willy-nilly to employment opportunities of the type that is represented by white collar jobs in the formal sector.

I know of no single panacea that will bring this about but it is clear that what is needed is a comprehensive strategy that simultaneously attacks the quantitative structure of the educational pyramid, the sharing of costs between students and the State, the qualitative content of schooling, the recruitment and promotion practices of the labour market, and the structure of wages and salaries of educated people. Elements of this strategy exist here and there in the Third World, and many of them can be found in certain innovative countries like Tanzania and Cuba. But I know of no developing country that has marched on all fronts in attacking these problems, and which can therefore serve as a

model for the rest of the Third World. In short, there is still something left for economists to say on educational planning in poor countries, and some of the lessons that economists can teach are absolutely fundamental in their implications for government policy.